

VILLAGE OF BROOKLYN
JACKSON COUNTY - MICHIGAN
FINANCIAL STATEMENTS
Year Ended June 30, 2008

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ALLISON I. COLE, C.P.A.**

INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Brooklyn
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Brooklyn, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Brooklyn, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Brooklyn, Michigan as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Dove & Hickey, P.L.C.

November 13, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF BROOKLYN MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Village of Brooklyn's financial performance provides an overview of the Village's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Village's financial statements which follow.

Financial Highlights

The following represents the most significant financial highlights for the year ended June 30, 2008:

- Tax revenues, the Village of Brooklyn's largest single revenue source, totaled \$538,787 in all funds this year, representing an increase of 12.7 percent from last fiscal year. This increase is the result of an increase in total property valuation. The tax base of the community has increased from \$36.9 million to \$38.7 million (4.8%) as the Village continued to realize considerable residential, and commercial development. In the last 10 years the Village has experienced an average annual increase of 8 percent in taxable value.
- State-shared revenue continues its downward trend of the past several years. The Village received \$203,662 in this fiscal year, a reduction of \$1,536, or .78 percent, from last year. Further reductions are expected in this income source in the coming year. The Village's proactive response to the decline in state-shared revenue is to closely monitor and continually evaluate revenue trends as well as expenditure trends, especially in the areas of personnel benefit costs, staffing levels and discretionary programming and capital projects, in order to achieve economies of scale, operational efficiencies, cost reductions, and justification for capital expenditures.
- Total long-term debt is \$2,893,165. The Village completed a \$1.874 million project for water system improvements mandated by the State, financed by revenue bonds. The Village continually reviews its water and sewer rate structures to ensure that use rates maintain acceptable levels of working capital while providing the funding necessary to complete projected capital improvement programs.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Village of Brooklyn as a Whole

The following table shows a condensed format of the net assets as of June 30, 2008 and compared to the prior year.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Assets						
Current and Other Assets	\$ 555,782	\$ 437,630	\$ 711,095	\$1,258,209	\$1,266,877	\$1,695,839
Non-current - Capital Assets	1,023,742	1,008,916	3,388,553	3,482,354	4,412,295	4,491,270
Unamortized bond expense	<u>-0-</u>	<u>-0-</u>	<u>72,786</u>	<u>-0-</u>	<u>72,786</u>	<u>-0-</u>
Total assets	<u>1,579,524</u>	<u>1,446,546</u>	<u>4,172,434</u>	<u>4,740,563</u>	<u>5,751,958</u>	<u>6,187,109</u>
Liabilities						
Other liabilities	41,268	18,537	80,109	459,746	121,377	478,283
Long-term liabilities	<u>3,765</u>	<u>2,678</u>	<u>2,893,165</u>	<u>3,213,730</u>	<u>2,896,930</u>	<u>3,216,408</u>
Total liabilities	<u>45,033</u>	<u>21,215</u>	<u>2,973,274</u>	<u>3,673,476</u>	<u>3,018,307</u>	<u>3,694,691</u>
Net Assets						
Invested in capital assets - net of related debt	1,023,742	1,008,916	495,388	508,987	1,519,130	1,517,903
Restricted for debt service	-0-	-0-	153,169	148,866	153,169	148,866
Unrestricted	<u>510,749</u>	<u>416,415</u>	<u>550,603</u>	<u>409,234</u>	<u>1,061,352</u>	<u>825,649</u>
Total Net Assets	<u>\$1,534,491</u>	<u>\$1,425,331</u>	<u>\$1,199,160</u>	<u>\$1,067,087</u>	<u>\$2,733,651</u>	<u>\$2,492,418</u>

The Village's combined net assets for both governmental and business-type activities increased 9.7 percent from a year ago - increasing from \$2,492,418 to \$2,733,651. Net assets are further segregated between restricted and unrestricted net assets. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, increased by approximately \$94,000 for governmental activities and an increase of approximately \$141,000 for business-type activities. The current level of unrestricted net assets for our governmental activities stands at \$510,749.

The Village of Brooklyn as a Whole (Continued)

The following table shows the change in net assets for the years ended June 30, 2008 and 2007.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue						
Program revenue:						
Charges for services	\$ 39,763	\$ 35,871	\$ 553,686	\$ 532,246	\$ 593,449	\$ 568,117
Operating grants and contributions	762	581	-0-	-0-	762	581
Capital grants and contributions	55,501	281,312	-0-	-0-	55,501	281,312
General revenue:						
Property taxes	400,846	340,645	137,941	137,361	538,787	478,006
State-shared revenues	203,662	205,198	-0-	-0-	203,662	205,198
Cable franchise fees	8,120	8,085	-0-	-0-	8,120	8,085
Interest	12,926	14,877	13,740	18,858	26,666	33,735
Gain on sale of asset	2,247	-0-	-0-	-0-	2,247	-0-
Miscellaneous	<u>2,145</u>	<u>5,004</u>	<u>-0-</u>	<u>-0-</u>	<u>2,145</u>	<u>5,004</u>
Total revenue	<u>725,972</u>	<u>891,573</u>	<u>705,367</u>	<u>688,465</u>	<u>1,431,339</u>	<u>1,580,038</u>
Expenses						
General government	254,938	262,522	-0-	-0-	254,938	262,522
Public Safety	52,142	44,837	-0-	-0-	52,142	44,837
Public Works	269,733	223,695	-0-	-0-	269,733	223,695
Community and economic development	-0-	3,779	-0-	-0-	-0-	3,779
Culture and recreation	39,999	39,052	-0-	-0-	39,999	39,052
Water and Sewer	<u>-0-</u>	<u>-0-</u>	<u>573,294</u>	<u>499,164</u>	<u>573,294</u>	<u>499,164</u>
Total expenses	<u>616,812</u>	<u>573,885</u>	<u>573,294</u>	<u>499,164</u>	<u>1,190,106</u>	<u>1,073,049</u>
Transfers	<u>-0-</u>	<u>(64,000)</u>	<u>-0-</u>	<u>64,000</u>	<u>-0-</u>	<u>-0-</u>
Change in Net Assets	\$ <u>109,160</u>	\$ <u>253,688</u>	\$ <u>132,073</u>	\$ <u>253,301</u>	\$ <u>241,233</u>	\$ <u>506,989</u>

Governmental Activities

Governmental activities are those activities (such as public safety and street improvement and maintenance) provided to the constituents of the Village and supported by financing from property taxes and state-shared revenues.

The Village's total governmental revenues decreased by approximately \$166,000. Property tax revenues continue to steadily increase; with a 18 percent increase as compared to the prior year. The Village also recognized a capital grant of \$55,501, to fund 80 percent of the cost of streetscaping on a local street in the Village.

The total cost of governmental activities increased by approximately \$42,900 compared to the prior year. Increases in health care premiums, wages, and inflation were attributed to the 7.5 percent increase as compared to the prior year.

Business-type Activities

Business-type activities are those that are financed primarily by charges for services or user fees. The Village's business-type activities consist of the Water and Sewer Funds; these types of operations are most similar to private businesses.

Water and sewer usage fees were comparable with prior year. The additional depreciation from the new water tower and meters attributed to the 14.8 percent increase in business-type costs of approximately \$74,100.

The Village's Funds

These funds have been established to manage funds for specific purposes: General Fund which pays for most of the Village's governmental services, Street Funds (including Local Streets, Major Streets, and Street Tax Receiving Funds), Water Fund, and Sewer Fund. The General Fund and Street Funds are supported by local property taxes and state-shared revenue. The Water and Sewer Funds are supported by user fees and occasional appropriations from the General Fund. Debt service in the Sewer Fund is supported by a tax levy.

Budgetary Highlights

Over the course of the year, the Village administration and Village Council monitor the budget, and if necessary, amend the budget to take into account anticipated events that occur during the year. The following provides specific details regarding the amendments:

- While projected General Fund expenditures were increased \$21,850 by amendments, actual total expenditures were less than anticipated.
- Major Street Fund transfers in were decreased \$5,000 by amendments.
- Local Street Fund expenditures were increased by \$43,818 and transfers in were decreased by \$98,000.

Capital Asset and Debt Administration

At the end of fiscal year 2008, the Village had \$4,412,295 invested in capital assets, net of accumulated depreciation (land, buildings, equipment, vehicles, and water and sewer lines). These assets are necessary to carry out the day-to-day operations of the Village.

Completed in 2007, the Village constructed a major water system project, financed through the State of Michigan in the amount of approximately \$1.14 million. The Village used approximately \$355,000 of the proceeds to pay-off an installment purchase agreement for the meters. The Water Fund started paying down the principal on these State loans, in addition to the interest during the fiscal year 2008, in the amount of approximately \$111,800.

Economic Factors and Next Year's Budgets and Rates

Uncertainty about the national and state economy in the light of increased energy costs, natural disasters, and continuing loss of jobs in our state inspires caution as the Village manages its financial affairs. State revenues continue to be at their lowest since 1970. During fiscal year 2008 and into 2009, the Village anticipates a slight reduction in state-shared revenues and grants. To date, these revenue reductions have been masked by our growth and increased property values. To ensure sustainability of our operations, the Village is closely monitoring reserve balances, revenues, and expenditures.

With the Country in the midst of an "economic crisis" foreclosures are more prevalent and home sales are declining. The Village will work closely with the Township Assessor to monitor taxable values of properties throughout the Village. Depending on these values the Village will need to monitor the services offered to residents.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village's finances and to show the Village's accountability for the revenue it receives. If you have any questions about this report or need additional information, we invite you to contact the Brooklyn Village Manager.

VILLAGE OF BROOKLYN
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
Year Ended June 30, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and investments	\$ 465,503	\$ 483,532	\$ 949,035
Restricted cash	-0-	165,994	165,994
Receivables	2,106	51,041	53,147
Due from other governmental units	83,029	-0-	83,029
Prepaid expenses	12,394	3,278	15,672
Internal balances	(7,250)	7,250	-0-
Capital assets - net	1,023,742	3,388,553	4,412,295
Unamortized bond expense	<u>-0-</u>	<u>72,786</u>	<u>72,786</u>
Total assets	<u>1,579,524</u>	<u>4,172,434</u>	<u>5,751,958</u>
<u>LIABILITIES</u>			
Accounts payable	34,287	55,614	89,901
Accrued liabilities	6,981	1,510	8,491
Accrued interest	-0-	22,985	22,985
Compensated absences:			
Due in more than one year	3,765	-0-	3,765
Long-term debt:			
Due within one year	-0-	165,000	165,000
Due in more than one year	<u>-0-</u>	<u>2,728,165</u>	<u>2,728,165</u>
Total liabilities	<u>45,033</u>	<u>2,973,274</u>	<u>3,018,307</u>
<u>NET ASSETS</u>			
Invested in capital assets net of related debt	1,023,742	495,388	1,519,130
Restricted for debt service	-0-	153,169	153,169
Unrestricted	<u>510,749</u>	<u>550,603</u>	<u>1,061,352</u>
Total net assets	<u>\$1,534,491</u>	<u>\$1,199,160</u>	<u>\$2,733,651</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for	Operating	Capital	Governmental	Business-Type	Total
		Services	Grants and Contributions	Grants and Contributions			
GOVERNMENTAL ACTIVITIES:							
General government	\$ 254,938	\$ 35,603	\$ -0-	\$ -0-	(\$ 219,335)	\$ -0-	(\$ 219,335)
Public Safety	52,142	4,160	-0-	-0-	(47,982)	-0-	(47,982)
Public works	269,733	-0-	-0-	55,501	(214,232)	-0-	(214,232)
Culture and recreation	<u>39,999</u>	<u>-0-</u>	<u>762</u>	<u>-0-</u>	<u>(39,237)</u>	<u>-0-</u>	<u>(39,237)</u>
Total governmental activities	<u>616,812</u>	<u>39,763</u>	<u>762</u>	<u>55,501</u>	<u>(520,786)</u>	<u>-0-</u>	<u>(520,786)</u>
BUSINESS-TYPE ACTIVITIES:							
Water	234,439	292,410	-0-	-0-	-0-	57,971	57,971
Sewer	<u>338,855</u>	<u>261,276</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(77,579)</u>	<u>(77,579)</u>
Total business-type activities	<u>573,294</u>	<u>553,686</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(19,608)</u>	<u>(19,608)</u>
Total government	<u>\$1,190,106</u>	<u>\$ 593,449</u>	<u>\$ 762</u>	<u>\$ 55,501</u>	(520,786)	(19,608)	(540,394)
GENERAL REVENUES:							
Property taxes					400,846	137,941	538,787
State-shared revenues					203,662	-0-	203,662
Cable franchise fees					8,120	-0-	8,120
Investment earnings					12,926	13,740	26,666
Gain on sale of asset					2,247	-0-	2,247
Miscellaneous					<u>2,145</u>	<u>-0-</u>	<u>2,145</u>
Total general revenues					<u>629,946</u>	<u>151,681</u>	<u>781,627</u>
CHANGES IN NET ASSETS					109,160	132,073	241,233
NET ASSETS - BEGINNING OF YEAR					<u>1,425,331</u>	<u>1,067,087</u>	<u>2,492,418</u>
NET ASSETS - END OF YEAR					<u>\$1,534,491</u>	<u>\$1,199,160</u>	<u>\$2,733,651</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
BALANCE SHEET -
GOVERNMENTAL FUNDS
June 30, 2008

	Major Governmental Funds				Non-Major Governmental Fund	Total Governmental Funds
	General Fund	Major Streets Fund	Local Streets Fund	Street Tax Receiving Fund	Building Fund	
<u>ASSETS</u>						
Cash and investments	\$ 268,964	\$ 47,250	\$ 87,954	\$ 56,407	\$ 4,928	\$ 465,503
Receivables	2,106	-0-	-0-	-0-	-0-	2,106
Due from other governments	34,947	10,714	3,739	-0-	-0-	49,400
Prepaid expenses	5,971	3,317	3,106	-0-	-0-	12,394
Due from other funds	<u>97,287</u>	<u>-0-</u>	<u>-0-</u>	<u>219</u>	<u>437</u>	<u>97,943</u>
Total assets	<u>\$ 409,275</u>	<u>\$ 61,281</u>	<u>\$ 94,799</u>	<u>\$ 56,626</u>	<u>\$ 5,365</u>	<u>\$ 627,346</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 5,276	\$ 26,446	\$ 1,800	\$ -0-	\$ 765	\$ 34,287
Accrued liabilities	5,073	945	963	-0-	-0-	6,981
Due to other funds	<u>858</u>	<u>12,561</u>	<u>685</u>	<u>-0-</u>	<u>-0-</u>	<u>14,104</u>
Total liabilities	<u>11,207</u>	<u>39,952</u>	<u>3,448</u>	<u>-0-</u>	<u>765</u>	<u>55,372</u>
Fund balances:						
Unreserved	398,068	21,329	91,351	56,626	-0-	567,374
Unreserved, reported in non-major:						
Special Revenue funds	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>4,600</u>	<u>4,600</u>
Total fund balances	<u>398,068</u>	<u>21,329</u>	<u>91,351</u>	<u>56,626</u>	<u>4,600</u>	<u>571,974</u>
Total liabilities and fund balances	<u>\$ 409,275</u>	<u>\$ 61,281</u>	<u>\$ 94,799</u>	<u>\$ 56,626</u>	<u>\$ 5,365</u>	<u>\$ 627,346</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
RECONCILIATION OF FUND BALANCES ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS -
GOVERNMENTAL FUNDS
June 30, 2008

Fund balances - total Governmental funds	\$ 571,974
Amounts reported for governmental activities in the statement of net assets are different because:	
Receivable not collected within 60 days of the end of the current fiscal period as required for recognition in governmental funds	33,629
Capital assets used in governmental activities are not financial resources and are not reported in the funds	932,653
Compensated absences are not due and payable in the current period and are not reported in the funds	<u>(3,765)</u>
Net assets of governmental activities	\$ <u><u>1,534,491</u></u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	Major Governmental Funds				Non-Major Governmental Fund	Total Governmental Funds
	General Fund	Major Streets Fund	Local Streets Fund	Street Tax Receiving Fund	Building Fund	
REVENUES:						
Property taxes	\$ 255,697	\$ -0-	\$ -0-	\$ 145,149	\$ -0-	\$ 400,846
State sources	115,414	65,432	22,816	-0-	-0-	203,662
Federal sources	-0-	-0-	101,667	-0-	-0-	101,667
Licenses and permits	10,710	-0-	-0-	-0-	4,160	14,870
Fines and forfeitures	861	-0-	-0-	-0-	-0-	861
Interest, penalties and rents	40,371	599	3,008	695	33	44,706
Refunds	674	-0-	-0-	-0-	-0-	674
Contributions	305	-0-	-0-	-0-	-0-	305
Miscellaneous	<u>4,091</u>	<u>583</u>	<u>505</u>	<u>-0-</u>	<u>-0-</u>	<u>5,179</u>
Total revenues	<u>428,123</u>	<u>66,614</u>	<u>127,996</u>	<u>145,844</u>	<u>4,193</u>	<u>772,770</u>
EXPENDITURES:						
Current:						
General government	248,114	-0-	-0-	-0-	-0-	248,114
Public safety	47,668	-0-	-0-	-0-	4,475	52,143
Public Works	30,972	130,306	97,860	82	-0-	259,220
Recreation and culture	35,330	-0-	-0-	-0-	-0-	35,330
Capital outlay	<u>-0-</u>	<u>-0-</u>	<u>38,119</u>	<u>-0-</u>	<u>-0-</u>	<u>38,119</u>
Total expenditures	<u>362,084</u>	<u>130,306</u>	<u>135,979</u>	<u>82</u>	<u>4,475</u>	<u>632,926</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>66,039</u>	<u>(63,692)</u>	<u>(7,983)</u>	<u>145,762</u>	<u>(282)</u>	<u>139,844</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	-0-	45,000	86,668	-0-	-0-	131,668
Transfers (out)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(131,668)</u>	<u>-0-</u>	<u>(131,668)</u>
Total other financing sources (uses)	<u>-0-</u>	<u>45,000</u>	<u>86,668</u>	<u>(131,668)</u>	<u>-0-</u>	<u>-0-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	66,039	(18,692)	78,685	14,094	(282)	139,844
FUND BALANCES - BEGINNING OF YEAR	<u>332,029</u>	<u>40,021</u>	<u>12,666</u>	<u>42,532</u>	<u>4,882</u>	<u>432,130</u>
FUND BALANCES - END OF YEAR	<u>\$ 398,068</u>	<u>\$ 21,329</u>	<u>\$ 91,351</u>	<u>\$ 56,626</u>	<u>\$ 4,600</u>	<u>\$ 571,974</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
June 30, 2008

Net change in fund balance - total Governmental funds	\$ 139,844
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Amounts reported for governmental activities in the
statement of activities are different because:

Revenue not currently available and not reported in the funds	33,629
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Revenue currently recognized in fund but was recognized when earned in statement of activities	(79,795)
---	----------

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	71,239
--	--------

Depreciation on capital assets reported as part of governmental activities	(54,670)
---	----------

Accrued compensated absences are recorded when earned in the statement of activities but are recognized when paid in governmental funds	<u>(1,087)</u>
---	----------------

Changes in net assets of governmental activities	\$ <u>109,160</u>
--	-------------------

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
STATEMENT OF NET ASSETS -
PROPRIETARY FUND
June 30, 2008

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Supply System	Sanitary Sewer System	Total	Internal Service Fund
<u>ASSETS</u>				
Current Assets:				
Cash and cash equivalents	\$ 382,327	\$ 101,205	\$ 483,532	\$ -0-
Receivables	26,492	24,549	51,041	-0-
Prepaid expenses	2,292	986	3,278	-0-
Due from other funds	-0-	15,680	15,680	-0-
Total current assets	<u>411,111</u>	<u>142,420</u>	<u>553,531</u>	<u>-0-</u>
Noncurrent Assets:				
Restricted cash	-0-	165,994	165,994	-0-
Capital assets - net	2,382,289	1,006,264	3,388,553	91,089
Unamortized bond expense	46,130	26,656	72,786	-0-
Total noncurrent assets	<u>2,428,419</u>	<u>1,198,914</u>	<u>3,627,333</u>	<u>91,089</u>
Total assets	<u>2,839,530</u>	<u>1,341,334</u>	<u>4,180,864</u>	<u>91,089</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Current Liabilities:				
Accounts payable	41,568	14,046	55,614	-0-
Accrued expenses	834	676	1,510	-0-
Accrued interest	10,161	12,824	22,985	-0-
Current maturities on bonds and notes	90,000	-0-	90,000	-0-
Current maturities on advances from County	-0-	75,000	75,000	-0-
Due to other funds	8,430	-0-	8,430	91,089
Total current liabilities	<u>150,993</u>	<u>102,546</u>	<u>253,539</u>	<u>91,089</u>
Noncurrent liabilities:				
Bond notes and advances payable	<u>1,753,165</u>	<u>975,000</u>	<u>2,728,165</u>	<u>-0-</u>
Total noncurrent liabilities	<u>1,753,165</u>	<u>975,000</u>	<u>2,728,165</u>	<u>-0-</u>
Total liabilities	<u>1,904,158</u>	<u>1,077,546</u>	<u>2,981,704</u>	<u>91,089</u>
Net assets:				
Investment in capital assets net of related debt	539,124	(43,736)	495,388	-0-
Restricted for debt service	-0-	153,169	153,169	-0-
Unrestricted	<u>396,248</u>	<u>154,355</u>	<u>550,603</u>	<u>-0-</u>
Total net assets	<u>\$ 935,372</u>	<u>\$ 263,788</u>	<u>\$1,199,160</u>	<u>\$ -0-</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS -
PROPRIETARY FUND
Year Ended June 30, 2008

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	Water Supply System	Sanitary Sewer System	Total	
OPERATING REVENUES:				
Charges for services and penalties	\$ 292,410	\$ 261,276	\$ 553,686	\$ 41,885
Total operating revenues	<u>292,410</u>	<u>261,276</u>	<u>553,686</u>	<u>41,885</u>
OPERATING EXPENSES:				
Treatment fees	-0-	167,224	167,224	-0-
Operation and maintenance	93,952	63,149	157,101	29,181
General and administrative	11,835	8,213	20,048	-0-
Depreciation and amortization	<u>81,630</u>	<u>47,611</u>	<u>129,241</u>	<u>14,951</u>
Total operating expenses	<u>187,417</u>	<u>286,197</u>	<u>473,614</u>	<u>44,132</u>
OPERATING INCOME (LOSS)	<u>104,993</u>	<u>(24,921)</u>	<u>80,072</u>	<u>(2,247)</u>
NON-OPERATING REVENUES (EXPENSES):				
Property taxes	-0-	137,941	137,941	-0-
Gain on sale of assets	-0-	-0-	-0-	2,247
Interest income	7,908	5,832	13,740	-0-
Interest expense	<u>(47,022)</u>	<u>(52,658)</u>	<u>(99,680)</u>	<u>-0-</u>
Total non-operating revenues (expenses) - net	<u>(39,114)</u>	<u>91,115</u>	<u>52,001</u>	<u>2,247</u>
CHANGES IN NET ASSETS	65,879	66,194	132,073	-0-
NET ASSETS, BEGINNING OF YEAR	<u>869,493</u>	<u>197,594</u>	<u>1,067,087</u>	<u>-0-</u>
NET ASSETS, END OF YEAR	\$ <u>935,372</u>	\$ <u>263,788</u>	\$ <u>1,199,160</u>	\$ <u>-0-</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 291,518	\$ 259,328	\$ 550,846
Payments to employees	(54,853)	(34,159)	(89,012)
Payments to suppliers	(7,087)	(205,345)	(212,432)
Internal activity - Payments to other funds	<u>8,463</u>	<u>(15,361)</u>	<u>(6,898)</u>
Net cash provided (used) by operating activities	<u>238,041</u>	<u>4,463</u>	<u>242,504</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Property taxes levied	<u>-0-</u>	<u>137,941</u>	<u>137,941</u>
Net cash provided (used) by non-capital financing activities	<u>-0-</u>	<u>137,941</u>	<u>137,941</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Receipt of bond proceeds from County	-0-	102,104	102,104
Proceeds from capital debt	156,334	-0-	156,334
Acquisition of capital assets	(247,147)	-0-	(247,147)
Principal paid on long-term debt	(445,000)	(85,000)	(530,000)
Interest paid on long-term debt	<u>(50,581)</u>	<u>(53,637)</u>	<u>(104,218)</u>
Net cash provided (used) by capital and related financing activities	<u>(586,394)</u>	<u>(37,533)</u>	<u>(622,927)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	<u>7,908</u>	<u>5,832</u>	<u>13,740</u>
Net cash provided (used) by investing activities	<u>7,908</u>	<u>5,832</u>	<u>13,740</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(340,445)	111,703	(228,742)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>722,772</u>	<u>155,496</u>	<u>878,268</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u>382,327</u>	\$ <u>267,199</u>	\$ <u>649,526</u>
STATEMENT OF NET ASSETS CLASSIFICATION OF CASH AND CASH EQUIVALENTS:			
Cash and cash equivalents	\$ 382,327	\$ 101,205	\$ 483,532
Restricted cash	<u>-0-</u>	<u>165,994</u>	<u>165,994</u>
Total	\$ <u>382,327</u>	\$ <u>267,199</u>	\$ <u>649,526</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
STATEMENT OF CASH FLOWS (Concluded)
PROPRIETARY FUNDS
Year Ended June 30, 2008

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 104,993	(\$ 24,921)	\$ 80,072
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	77,688	43,976	121,664
Amortization	3,942	3,635	7,577
Changes in assets and liabilities:			
Usage fees receivable	3,114	(1,948)	1,166
Due from other funds	33	(15,361)	(15,328)
Prepaid expenses	(127)	(135)	(262)
Accounts payable and other accrued liabilities	39,968	(783)	39,185
Due to other funds	<u>8,430</u>	<u>-0-</u>	<u>8,430</u>
Net cash provided (used) by operating activities	\$ <u>238,041</u>	\$ <u>4,463</u>	\$ <u>242,504</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Brooklyn (the "Village") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Brooklyn.

Reporting Entity

The Village of Brooklyn is governed by a nine member Village Council of which seven are elected and two are appointed. The Council appoints a Village Manager to carry out the policies that it establishes. The accompanying financial statements present the Village's entities for which the Village is considered to be financially accountable. The Village has no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary funds. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. All revenue items are considered to be available only when cash is received by the Village.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Village reports the following major governmental funds:

General Fund - The General Fund is the Village's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes and state-shared revenue.

Major Street Fund - The Major Street Fund is used to account for state-shared revenues received for the purpose of construction and maintenance of the Village's major roads.

Local Street Fund - The Local Street Fund is used to account for state-shared revenues received for the purpose of construction and maintenance of the Village's local streets.

Street Tax Receiving Fund - The Street Tax Receiving Fund is used to account for property taxes received under a specially assessed millage.

The Village reports the following major proprietary funds:

Water Fund - The Water Fund is used to account for the results of operations for providing water service to the citizens and businesses of the Village. The fund's primary revenues are generated through user charges from those requesting water service.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Sewer Fund - The Sewer Fund is used to account for the results of operations for providing sewer service to the citizens and businesses of the Village. The primary revenues are generated through user charges from those requesting sewer service and taxes received under a specially assessed millage.

Additionally, the Village reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Internal Service Fund - The Internal Service Fund accounts for fleet and equipment management to other departments of the government on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

The Village's 2007 tax is levied and collectible on December 1, 2007, and is recognized as revenue in the year ended June 30, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2007 taxable valuation of the Village totaled \$38,711,544 on which ad valorem taxes levied consisted of 6.500 mills for operating purposes, 3.6970 mills for streets and 3.550 mills for sanitary sewer debt. This resulted in \$252,689 for operating, \$143,775 for streets, and \$136,618 for sanitary sewers fund. These amounts are recognized in the General Fund and Raised Streets Sewer Fund financial statements as tax revenue (net of reductions for delinquent amounts and prior year tax tribunal changes).

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB No. 34 requires the Village to report and depreciate new infrastructure assets effective beginning July 1, 2003. Infrastructure assets include roads, bridges, traffic signals, etc. The Village has elected not to report major general infrastructure assets retroactively.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Water and sewer transportation lines	40 years
Streets	40 years
Sidewalks and land improvements	20 to 25 years
Meters	20 years
Furnishings, vehicles and equipment	3 to 10 years

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are considered to be fully collectible.

Compensated Absences - It is the policy to permit eligible employees to accumulate earned but unused sick pay benefits. Sick pay is accrued when incurred in the government-wide financial statements. A liability is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

Fund Balance - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end. Before June 1, the proposed budget is submitted to the Village Council for review. Public hearings are held, and a final budget is adopted no later than June 30. The Village Council must approve any budget amendments.

The appropriated budget is prepared by fund, activity, and line items. The legal level of budgetary control is the activity level.

The government does not utilize encumbrance accounting.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Excess of Expenditures Over Appropriations

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2008, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Clerk	\$ 16,650	\$ 19,454	(\$ 2,804)
Code enforcement	10,770	12,865	(2,095)
Sidewalks	1,200	1,240	(40)
Major Street Fund:			
Public Works	93,240	130,306	(37,066)
Local Street Fund:			
Capital outlay	37,000	38,119	(1,119)
Street Tax Receiving Fund:			
Transfers out	110,000	131,668	(21,668)

3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes the local governmental units to make deposits and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations which have offices in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classification, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the board of trustees in accordance with Public Act 20 of 1943, as amended, has authorized investment in the investments in the preceding paragraph. The Village's deposit and investment policy is in accordance with statutory authority.

Restricted cash at June 30, 2008, totals \$165,994. The cash is restricted for the purposes of servicing debt.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

3. DEPOSITS AND INVESTMENTS (Continued)

The Village's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. The bank balance of the government's deposits is \$915,230, of which \$200,000 is covered by Federal depository insurance. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes, in market interest rates, will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the Village manages its exposure to interest rate risk is by participating in one bank investment pool and one money market which hold diverse investments that local units of government are authorized by law for direct investment.

As of June 30, 2008, the Village had the following investments:

Investments:

Bank investment pools	\$ 89,886
Money market	<u>112,003</u>
Total government	\$ <u>201,889</u>

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The bank investment pooled funds and money market do not have a rating provided by a nationally recognized statistical rating organization.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

4. RESTRICTED CASH

Cash has been restricted in the amounts of \$63,635 of property taxes to finance sewer bond payments and \$102,359 due from Jackson County which represents unspent bond proceeds and interest earned on proceeds, for a total of \$165,994.

5. CAPITAL ASSETS

Capital asset activity of the Village's governmental activities and business-type activities was as follows:

	Balance <u>July 1, 2007</u>	Additions	Disposals and Adjustments	Balance <u>June 30, 2008</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>28,900</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>28,900</u>
Capital assets being depreciated:				
Buildings and improvements	115,174	-0-	-0-	115,174
Improvements other than buildings	929,246	71,239	-0-	1,000,485
Furnishings, vehicles, and equipment	<u>421,570</u>	<u>16,461</u>	<u>10,120</u>	<u>427,911</u>
Total capital assets being depreciated	<u>1,465,990</u>	<u>87,700</u>	<u>10,120</u>	<u>1,543,570</u>
Less: accumulated depreciation:				
Buildings and improvements	66,103	1,792	-0-	67,895
Improvements other than buildings	97,821	46,790	-0-	144,611
Furnishings, vehicles, and equipment	<u>322,050</u>	<u>21,039</u>	<u>6,867</u>	<u>336,222</u>
Total accumulated depreciation	<u>485,974</u>	<u>69,621</u>	<u>6,867</u>	<u>548,728</u>
Total capital assets being depreciated - net	<u>980,016</u>	<u>18,079</u>	<u>(3,253)</u>	<u>994,842</u>
Total capital assets - net	\$ <u>1,008,916</u>	\$ <u>18,079</u>	(\$ <u>3,253</u>)	\$ <u>1,023,742</u>

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

5. CAPITAL ASSETS (Continued)

	Balance <u>July 1, 2007</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>June 30, 2008</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 36,000	\$ -0-	\$ -0-	\$ 36,000
Construction in progress	<u>1,441,036</u>	<u>-0-</u>	<u>1,441,036</u>	<u>-0-</u>
Total capital assets not being depreciated	<u>1,477,036</u>	<u>-0-</u>	<u>1,441,036</u>	<u>36,000</u>
Capital assets being depreciated:				
Buildings and improvements	500,136	1,447,560	-0-	1,947,696
Water and sewer transportation lines	2,297,821	21,339	-0-	2,319,160
Meters and equipment	<u>434,558</u>	<u>-0-</u>	<u>-0-</u>	<u>434,558</u>
Total capital assets being depreciated	<u>3,232,515</u>	<u>1,468,899</u>	<u>-0-</u>	<u>4,701,414</u>
Less: accumulated depreciation:				
Buildings and improvements	243,290	44,416	-0-	287,706
Water and sewer transportation lines	954,489	54,382	-0-	1,008,871
Meters and equipment	<u>29,418</u>	<u>22,866</u>	<u>-0-</u>	<u>52,284</u>
Total accumulated depreciation	<u>1,227,197</u>	<u>121,664</u>	<u>-0-</u>	<u>1,348,861</u>
Total capital assets being depreciated - net	<u>2,005,318</u>	<u>1,347,235</u>	<u>-0-</u>	<u>3,352,553</u>
Total capital assets - net	<u>\$3,482,354</u>	<u>\$1,347,235</u>	<u>\$1,441,036</u>	<u>\$3,388,553</u>

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

5. CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 6,370
Public works	43,631
Culture and recreation	4,669
Capital assets held by government's internal service fund are charged to the various functions based on their usage of the assets	<u>14,951</u>
Total governmental activities	<u>\$ 69,621</u>
Business-type activities:	
Water Fund	\$ 77,688
Sewer Fund	<u>43,976</u>
Total business-type activities	<u>\$ 121,664</u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Major Street Fund	\$ 4,789
	Local Street Fund	685
	Water Fund	724
	Internal Service Fund	<u>91,089</u>
	Total General Fund	<u>97,287</u>
Street Tax Receiving	General Fund	<u>219</u>
Building Fund	General Fund	<u>437</u>
Sewer Fund	General Fund	202
	Major Street Fund	7,772
	Water Fund	<u>7,706</u>
	Total Sewer Fund	<u>15,680</u>
	Total	<u>\$ 113,623</u>

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions recorded in the accounting system, and payments between funds are made.

Interfund transfers:

Fund transferred from:

Fund transferee to:

Street Tax Receiving Fund	Major Street Fund	\$	45,000
Street Tax Receiving Fund	Local Streets Fund		86,668

The transfers from the Street Tax Receiving Fund to the Major and Local Streets Funds represent property taxes receipted in the Street Tax Receiving Fund and transferred to the benefiting funds as needed.

7. LONG-TERM DEBT

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. They will be repaid from user fees and if that is not sufficient from proceeds of an annual levy of ad valorem taxes on an all taxable property within the Village subject to applicable constitutional and statutory tax rate limitations.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

7. LONG-TERM DEBT (Continued)

Long-term obligation activity can be summarized as follows:

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental activities:						
Compensated absences	-	-	\$ <u>2,768</u>	\$ <u>1,087</u>	\$ <u>3,765</u>	\$ <u>-0-</u>
Total governmental activities			\$ <u>2,768</u>	\$ <u>1,087</u>	\$ <u>3,765</u>	\$ <u>-0-</u>
Business-type activities:						
County contractual obligation:						
1996 Village sewer line extension - amount of issue						
1,550,000	4.25% - 7.25%	\$ 25,000 - 150,000	\$1,125,000	(\$ 75,000)	\$1,050,000	\$ 75,000
Revenue bonds:						
1986 sewer extension bond - amount of issue						
\$235,000	4.736%	\$ 10,200 - 15,000	10,000	(10,000)	-0-	-0-
1988 water extension bond - amount of issue						
\$235,000	5.503%	\$ 10,000 - 20,000	105,000	(15,000)	90,000	15,000
Limited tax general obligation bonds - 2006 water supply project - amount of issue						
\$1,500,000	2.125%	\$ 60,000 - 90,000	1,500,000	(60,000)	1,440,000	60,000
Limited tax general obligation bonds - 2006 B water supply project						
	2.125%	\$ 15,000 - 25,000	313,730	14,435 (15,000)	313,165	15,000
Installment purchase contract - water meters purchase - amount of issue						
\$374,000	4.2%	\$ 19,000 - 30,000	<u>355,000</u>	<u>(355,000)</u>	<u>-0-</u>	<u>-0-</u>
Total business-type activities			\$ <u>3,408,730</u>	(\$ <u>515,565</u>)	\$ <u>2,893,165</u>	\$ <u>165,000</u>

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

7. LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End June 30</u>	<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2009	\$ 165,000	\$ 90,581	\$ 255,581
2010	195,000	83,749	278,749
2011	200,000	76,061	276,061
2012	200,000	68,231	268,231
2013	230,000	59,724	289,724
2014 - 2018	1,000,000	174,068	1,174,068
2019 - 2023	500,000	69,824	569,824
2024 - 2027	<u>403,165</u>	<u>16,444</u>	<u>419,609</u>
Total	<u>\$2,893,165</u>	<u>\$ 638,682</u>	<u>\$3,531,847</u>

8. OPERATING LEASE

The Village leases a copier. The lease is recorded as an operating lease. Total lease expense for the year ended June 30, 2008, is \$1,400.

The following is a schedule of future minimum rental payments required under the above operating lease as of June 30, 2008:

<u>YEARS</u>	<u>AMOUNT</u>
2009	\$ 1,400
2010	1,400
2011	1,400
2012	<u>1,400</u>
	<u>\$ 5,600</u>

9. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters as well as medical benefits provided to employees. The Village has purchased commercial insurance for medical claims and participates in the Michigan Municipal League Workers' Compensation for claims relating to workers' compensation and the Michigan Municipal Risk Management Authority for general liability claims.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

9. RISK MANAGEMENT (Continued)

The Michigan Municipal Risk Management Authority (the "Authority") operates as a claims-servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority to pay claims up to the retention limits, the ultimate liability for those claims remains with the Village.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

10. DEFINED BENEFIT PENSION PLAN (MICHIGAN MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM)

Plan Description

The Village participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The Village is required to contribute at an actuarially determined rate; the current rate is 14.99% of annual covered payroll. Village employees are required to contribute 3 percent of the first \$4,200 of annual compensation and 5 percent of portions over \$4,200. The contribution requirements of the Village are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the Village, depending on the MERS contribution program adopted by the Village.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

10. DEFINED BENEFIT PENSION PLAN (MICHIGAN MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM) (Continued)

Annual Pension Costs

For year ended 2008, the Village's annual pension cost of \$36,524 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry actual age cost method. Significant actuarial assumptions used include (i) 8 percent investment rate of return; (ii) projected salary increases of 4.5 percent per year based upon an age related scale to reflect merit longevity, and promotional salary increases. The actuarial value of assets is determined on the basis of a method that calculates expected investment income at the valuation rate of return and adds a portion of the difference between the expected investment income and actual investment income earned on a market value basis. The unfunded actuarial liability is being amortized as a level percent of payroll on an open basis. The remaining amortization period is 30 years.

Trend Information for The Village of Brooklyn

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	\$ 12,274	100%	\$ -0-
6/30/07	22,347	100%	-0-
6/30/08	36,524	100%	-0-

Schedule of Funding Progress for the Village of Brooklyn

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as of % of Covered Payroll ((b-a)/c)</u>
12/31/05	\$ 778,860	\$1,007,925	\$ 229,065	77.3	\$ 116,683	196.3%
12/31/06	787,870	1,054,585	266,715	74.7	157,029	169.8%
12/31/07	817,706	1,055,277	237,571	77.4	210,189	113.0%

11. OTHER POST-EMPLOYMENT BENEFITS

The Village provides post-employment health care to eligible retirees and their spouses. The benefits are provided in accordance with Village resolutions. The Village Council annually determines the portion of the premium the Village will pay. During the fiscal year three retirees were eligible for post-employment health care benefits at a cost of \$6,844; these expenditures are recognized as the insurance premiums become due. The village's policy is to finance these benefits on a pay-as-you-go basis.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF BROOKLYN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2008

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
REVENUES:				
Property taxes	\$ 253,938	\$ 253,938	\$ 255,697	\$ 1,759
State sources	115,000	115,000	115,414	414
Licenses and permits	10,200	10,200	10,710	510
Fines and forfeitures	800	800	861	61
Interest, penalties and rents	36,000	36,000	40,371	4,371
Refunds	1,000	1,000	674	(326)
Contributions	1,100	1,100	305	(795)
Miscellaneous	<u>14,600</u>	<u>14,600</u>	<u>4,091</u>	<u>(10,509)</u>
Total revenues	<u>432,638</u>	<u>432,638</u>	<u>428,123</u>	<u>(4,515)</u>
EXPENDITURES:				
Current:				
General government:				
Village Council	26,400	27,400	20,082	7,318
Elections	200	200	-0-	200
Clerk	16,650	16,650	19,454	(2,804)
Manager	96,917	97,567	75,287	22,280
Treasurer	43,000	43,000	24,952	18,048
Building and grounds	<u>55,657</u>	<u>65,157</u>	<u>58,374</u>	<u>6,783</u>
Total general government	<u>238,824</u>	<u>249,974</u>	<u>198,149</u>	<u>51,825</u>
Public Safety:				
Public Safety	30,250	30,250	26,111	4,139
Code enforcement	<u>7,270</u>	<u>10,770</u>	<u>12,865</u>	<u>(2,095)</u>
Total public safety	<u>37,520</u>	<u>41,020</u>	<u>38,976</u>	<u>2,044</u>
Public Works:				
Side walks	1,200	1,200	1,240	(40)
Street lighting	32,500	32,500	25,522	6,978
Urban forestry	3,500	3,500	2,825	675
Sanitation	2,500	2,500	1,385	1,115
Water	<u>6,000</u>	<u>6,000</u>	<u>-0-</u>	<u>6,000</u>
Total public works	<u>45,700</u>	<u>45,700</u>	<u>30,972</u>	<u>14,728</u>
Recreation and culture:				
Parks	<u>38,800</u>	<u>43,000</u>	<u>28,779</u>	<u>14,221</u>
Total recreation and culture	<u>38,800</u>	<u>43,000</u>	<u>28,779</u>	<u>14,221</u>
Other	<u>135,685</u>	<u>138,685</u>	<u>65,208</u>	<u>73,477</u>
Total expenditures	<u>496,529</u>	<u>518,379</u>	<u>362,084</u>	<u>156,295</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(63,891)</u>	<u>(85,741)</u>	<u>66,039</u>	<u>151,780</u>
OTHER FINANCING SOURCES (USES):				
Transfers (out)	<u>(66,000)</u>	<u>(40,350)</u>	<u>-0-</u>	<u>(40,350)</u>
Total other financing sources (uses)	<u>(66,000)</u>	<u>(40,350)</u>	<u>-0-</u>	<u>(40,350)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(129,891)	(126,091)	66,039	192,130
FUND BALANCE - BEGINNING OF YEAR	<u>332,029</u>	<u>332,029</u>	<u>332,029</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	<u>\$ 202,138</u>	<u>\$ 205,938</u>	<u>\$ 398,068</u>	<u>\$ 192,130</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND
Year Ended June 30, 2008

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
REVENUES:				
State sources	\$ 62,000	\$ 62,000	\$ 65,432	\$ 3,432
Interest	2,000	2,000	599	(1,401)
Miscellaneous	<u>-0-</u>	<u>-0-</u>	<u>583</u>	<u>583</u>
Total revenues	<u>64,000</u>	<u>64,000</u>	<u>66,614</u>	<u>2,614</u>
EXPENDITURES:				
Current:				
Public Works	<u>93,240</u>	<u>93,240</u>	<u>130,306</u>	<u>(37,066)</u>
Total expenditures	<u>93,240</u>	<u>93,240</u>	<u>130,306</u>	<u>(37,066)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(29,240)</u>	<u>(29,240)</u>	<u>(63,692)</u>	<u>(34,452)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>50,000</u>	<u>45,000</u>	<u>45,000</u>	<u>-0-</u>
Total other financing sources (uses)	<u>50,000</u>	<u>45,000</u>	<u>45,000</u>	<u>-0-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	20,760	15,760	(18,692)	(34,452)
FUND BALANCE - BEGINNING OF YEAR	<u>40,021</u>	<u>40,021</u>	<u>40,021</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	<u>\$ 60,781</u>	<u>\$ 55,781</u>	<u>\$ 21,329</u>	<u>(\$ 34,452)</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND
Year Ended June 30, 2008

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
REVENUES:				
State sources	\$ 22,000	\$ 22,000	\$ 22,816	\$ 816
Federal grant	-0-	-0-	101,667	101,667
Interest	1,150	1,150	3,008	1,858
Miscellaneous	<u>400</u>	<u>400</u>	<u>505</u>	<u>105</u>
Total revenues	<u>23,550</u>	<u>23,550</u>	<u>127,996</u>	<u>104,446</u>
EXPENDITURES:				
Current:				
Public Works	86,415	102,233	97,860	4,373
Capital outlay	<u>9,000</u>	<u>37,000</u>	<u>38,119</u>	<u>(1,119)</u>
Total expenditures	<u>95,415</u>	<u>139,233</u>	<u>135,979</u>	<u>3,254</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(71,865)</u>	<u>(115,683)</u>	<u>(7,983)</u>	<u>107,700</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>163,000</u>	<u>65,000</u>	<u>86,668</u>	<u>21,668</u>
Total other financing sources (uses)	<u>163,000</u>	<u>65,000</u>	<u>86,668</u>	<u>21,668</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	91,135	(50,683)	78,685	129,368
FUND BALANCE - BEGINNING OF YEAR	<u>12,666</u>	<u>12,666</u>	<u>12,666</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	<u>\$ 103,801</u>	<u>(\$ 38,017)</u>	<u>\$ 91,351</u>	<u>\$ 129,368</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - STREET TAX RECEIVING FUND
Year Ended June 30, 2008

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
REVENUES:				
Property taxes	\$ 143,791	\$ 143,791	\$ 145,149	\$ 1,358
Interest	<u>500</u>	<u>500</u>	<u>695</u>	<u>195</u>
Total revenues	<u>144,291</u>	<u>144,291</u>	<u>145,844</u>	<u>1,553</u>
EXPENDITURES:				
Current:				
Public Works	<u>2,500</u>	<u>2,500</u>	<u>82</u>	<u>2,418</u>
Total expenditures	<u>2,500</u>	<u>2,500</u>	<u>82</u>	<u>2,418</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>141,791</u>	<u>141,791</u>	<u>145,762</u>	<u>3,971</u>
OTHER FINANCING SOURCES (USES):				
Transfers (out)	<u>(213,000)</u>	<u>(110,000)</u>	<u>(131,668)</u>	<u>(21,668)</u>
Total other financing sources (uses)	<u>(213,000)</u>	<u>(110,000)</u>	<u>(131,668)</u>	<u>(21,668)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(71,209)	31,791	14,094	(17,697)
FUND BALANCE - BEGINNING OF YEAR	<u>42,532</u>	<u>42,532</u>	<u>42,532</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	(\$ <u>28,677</u>)	\$ <u>74,323</u>	\$ <u>56,626</u>	(\$ <u>17,697</u>)

See accompanying notes to financial statements.

Dove & Hickey, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

209 E. Washington Ave., Suite 255 • Jackson, Michigan 49201
Phone (517) 796-8880 • Fax (517) 796-8777

MEMBERS:

**AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS**

**MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS**

**GEORGE DOVE, C.P.A.
PAUL T. HICKEY, C.P.A.
NANNETTE M. SPONSLER, C.P.A.
ALLISON I. COLE, C.P.A.**

November 13, 2008

Village Council
Village of Brooklyn
PO Box 90
Brooklyn, Michigan 49230-0096

Council Members:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Brooklyn as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Brooklyn's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following combination of significant deficiencies constitute material weaknesses:

Financial Statement Report Adjustments:

During the audit we generally provide assistance in identifying and calculating certain year-end adjustments required to prepare financial statements in accordance with generally accepted accounting principles, including the requirements of GASB 34. We also assist in gathering information required for financial statements reclassifications and footnote disclosures. We are pleased to assist in this process, as we have expertise in these adjustments and reporting issues, and can generally assist in a very cost-efficient manner. We bring this to your attention since it meets the above definition of a matter to be communicated.

Other Matters Noted:

Budgets:

P.A. 621 of 1978, as amended, provides that a local government unit shall not incur expenditures in excess of the amount appropriated. The Village incurred expenditures in excess of the amount appropriated in six activities. The Village should amend its budget before this occurs

Benefit Allocations:

Management is allocating employee benefits to the various funds. The allocation percentage is several years old and may not represent the current costs to each fund. We suggest that management review the allocations to determine if they are still valid.

Cell Phones Reimbursements:

We noted that employees are being reimbursed a set amount each month for cell phones. These amounts are being paid under a nonaccountable plan. A nonaccountable plan is taxable to the employee and subject to FICA and income tax withholding. Under this plan the employee does not account to the Village for the business use on his personal cell phone. This type of plan makes the monthly Village approved cell phone allowance taxable to the employee. It then becomes the employee's responsibility to claim the allowable deductions on his personal taxes as an employee business expense.

FDIC Insurance:

The federal government has increased the FDIC insurance over deposits to \$250,000. We suggest that the Treasurer review the Village's deposits to make sure they are adequately insured.

This communication is intended solely for the information and use of management, the Council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to serve you.

Respectively yours,

Dove & Hickey, P.L.C.